

Bank Enterprise Award Program



U.S. Department of the Treasury 2001 BEA Program Workshop

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What topics will the workshop cover?

What is the CDFI Fund?

How does BEA Work?

- Defining Qualified Activities
- Reporting Qualified Activities
- Calculating Projected Award
- Designating a Distressed Community
- Selection of Awardees

Application Materials and Process



What is the CDFI Fund?

Office within the U.S. Department of the Treasury

Mission is to promote economic revitalization and community development by:

- Supporting community development financial institutions (CDFIs); and
- Providing incentives for banks and thrifts to increase their lending, investment, and services within distressed communities.



CDFI Fund Initiatives

- CDFI Program
 - Certification
 - Core Component
 - Technical Assistance (TA)/Small and Emerging CDFI Assistance (SECA) Component
 - Intermediary Component
- BEA Program
- Presidential Awards for Excellence in Microenterprise Development
- Native American Lending Study/Action Plan
- Training Program
- Research Activities

What is the purpose of the BEA Program?

Provides financial incentives for FDIC-Insured Banks and Thrifts to increase their investments in CDFIs or their lending, investments, and services in “Distressed Communities”

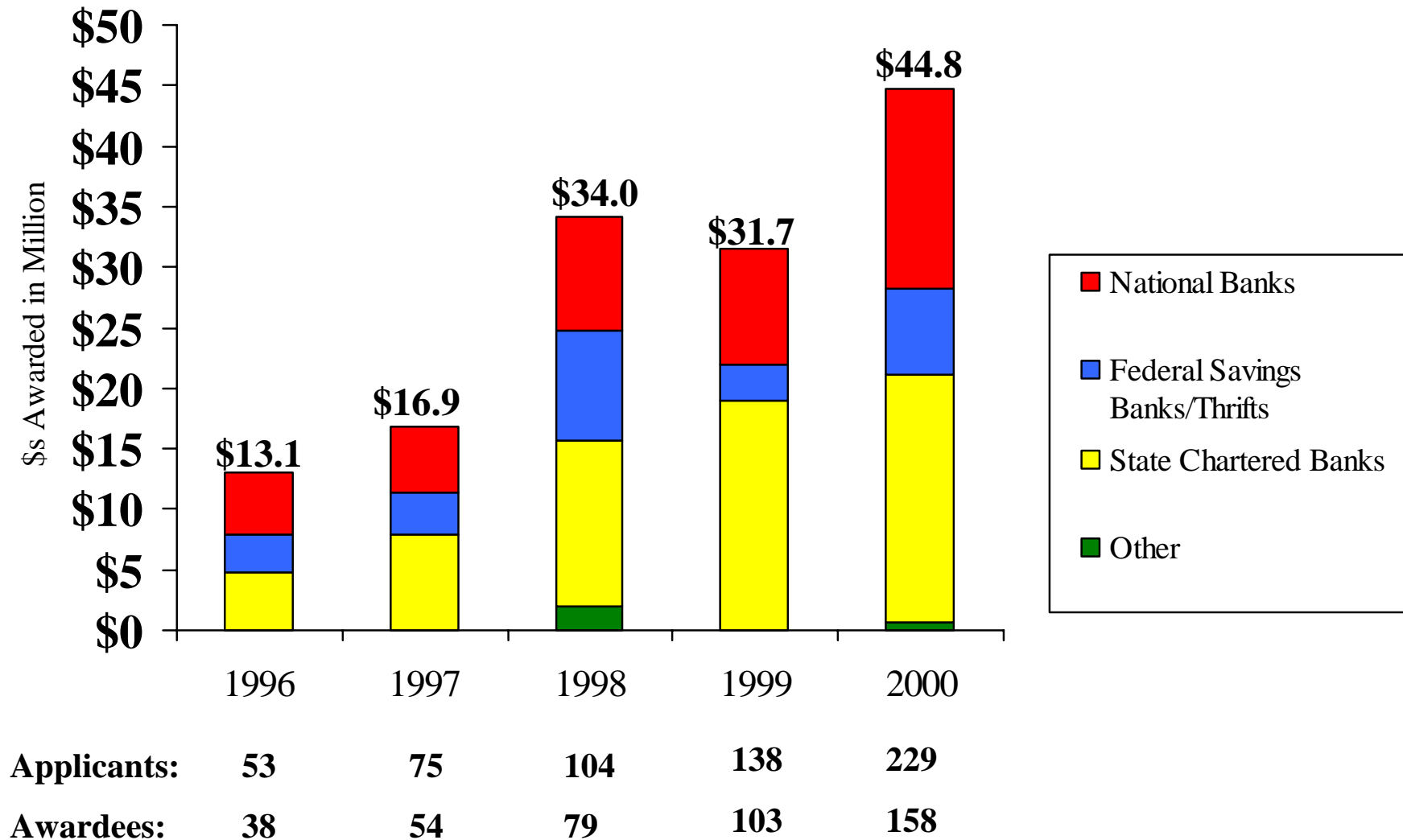


How do banks/thrifts benefit from the BEA Program?



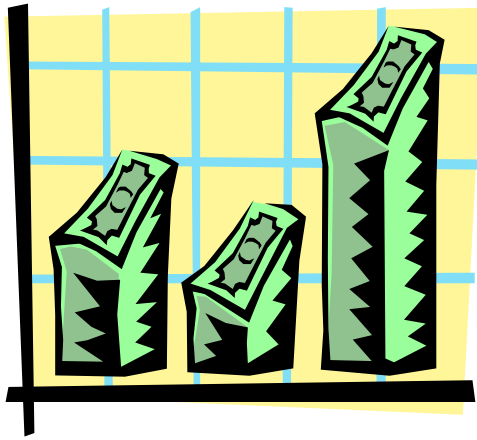
- Provides financial incentives for increasing community development activities
- Enhances Community Reinvestment Act activities
- Provides recognition for an institution's efforts to serve its community

Previous Funding Round Results



Previous Round Results

TOP TEN STATES Total Number of Awards	
California	60
Illinois	55
New York	48
Texas	21
Oklahoma	21
Kentucky	21
Colorado	19
North Carolina	17
Arkansas	16
Maine	13



TOP TEN STATES Total Dollar Amount of Awards	
New York	\$30,368,425
California	\$23,247,079
North Carolina	\$21,508,674
Illinois	\$14,508,925
Texas	\$12,042,145
Georgia	\$3,371,341
DC	\$3,197,954
Ohio	\$2,310,550
Oregon	\$1,768,721
Oklahoma	\$1,563,680

States With No BEA Awards

Alaska
Idaho

Nevada
New Hampshire

North Dakota
Rhode Island

Vermont
West Virginia

KEY DATES

Baseline Period:

January 1, 2000 - June 30, 2000

Initial Application Due:

November 21, 2000, 6 p.m. EST

November 2000						
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
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19	20	21	22	23	24	25
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Assessment Period:

January 1, 2001 - June 30, 2001

Final Report Due:

August 2, 2001, 6 p.m. EDT

Award Decisions by: September 30, 2001

2001 Funding Round

\$30 million in funds available*



*Projected

How does BEA Work?

BEA Awards are calculated based on **increases in Qualified Activities** carried out during an Assessment Period over Qualified Activities carried out during a Baseline Period.

Lending and investment activities shall be considered to have been carried out during the Baseline Period or the Assessment Period if:

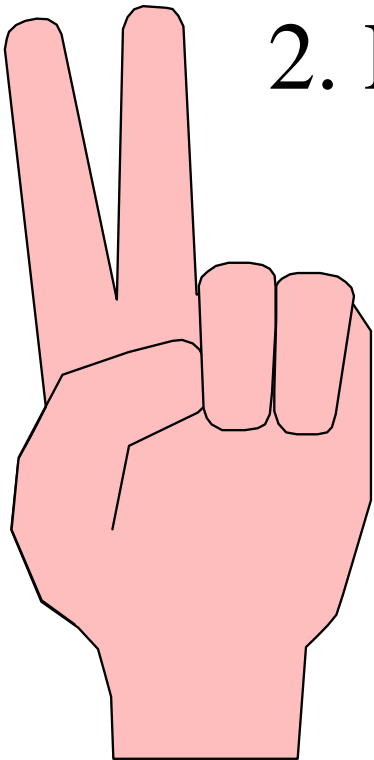
- **Closed** and **initial disbursement** made during the Assessment Period; and
- Expected to be fully **disbursed** within 3 years of the end of the applicable Assessment Period.

At the end of the Assessment Period, you must submit a Final Report on the activities you actually carried out.

How does BEA work?

Two Major Categories of Activities:

1. CDFI Related Activities
2. Development & Service Activities



What is a Certified CDFI?

A legally-established, non- or for-profit institution certified by the Fund as meeting the following criteria:

- Has a Primary Mission of community development
- Serves a defined eligible Target Market
- Has a predominant business activity of providing Financial Products, Development Services, and/or other similar financing
- Provides Development Services in conjunction with its Financial Products
- Maintains accountability to its Target Market
- Is a non-government entity

What is a Certified CDFI?

- Over 405 organizations are certified CDFIs (as of August 10, 2000)
- In order for your CDFI Related Activities to qualify for a BEA award in the 2001 BEA round, the CDFI must be certified by June 30, 2001
 - ➡ This means that the CDFI's certification application **MUST** be received by the Fund by **November 21, 2000** to ensure that the Fund will be able to complete its review by June 30, 2001

What Are CDFI Related Activities?

- Providing financial support or technical assistance to CDFIs.
- CDFI Related Activities are divided into two categories:
 1. Equity Investments
 - ➔ Grants
 - ➔ Equity Investments
 - ➔ Equity-Like Loans
 2. CDFI Support Activities
 - ➔ Loans
 - ➔ Deposits in CDFIs that are banks, thrifts, or credit unions
 - ➔ Technical Assistance in CDFIs that are integrally involved in a Distressed Community

CDFI Related Activities: Equity-Like Loans

To qualify as a CDFI Equity Investment, **Equity-Like Loans** must meet the following conditions:

1. The initial term must be at least 10 years;
2. The maturity date must be an indefinite, rolling date that is automatically extended annually after the initial maturity date if the borrower continues to be financial sound and to carry out a community development mission;
3. Payments of interest and/or principal may only be made out of the borrower's available cash flow after satisfying all other obligations (including operating expenses);
4. Failure to pay principal and/or interest shall not result automatically in a default; and
5. The loan must be subordinated to all other debt except for other Equity-like Loans

The Fund reserves the right to determine that an instrument with terms different than those discussed above is an Equity-Like Loan if it deems it appropriate. 16

CDFI Related Activities: Deposits

Deposits (a.k.a. CDs) in CDFIs that are banks, thrifts, or credit unions must be:

→ **Committed** for at least a 3 year term;

AND

→ **Uninsured** (i.e., amounts in excess of \$100,000 are uninsured);

OR

→ **Insured** if it has a Materially Below Market rate (i.e., an annual rate of no greater than 80% of the rate on a Treasury security of comparable maturity on date CD is placed)

☞ For a 3-year CD, take 80% of the 3-year Treasury rate posted on the Fed's website: www.federalreserve.gov/releases/H15

Reporting CDFI Related Activities

Example: Equity Investment (for a Non-Certified Applicant)

		G	H	I	J	K
	CDFI RELATED ACTIVITIES	Baseline Period	Assessment Period	Change in Activity	Award Percentage	Award Amount
	SERVICE ACTIVITIES					
18	Equity Investments	\$500,000	\$800,000	\$300,000	0.15	\$45,000
19	CDFI Support Activities				0.11	
20	Estimated Award Amount for CDFI Related Activities					\$45,000

Special Requirements for CDFI Support Activities

Each certified CDFI with respect to which an Applicant is proposing to engage in CDFI Support Activities must:



1. Identify a Distressed Community by generating Worksheet 3 and a corresponding Map (from the BEA Online Help Desk) for each Distressed Community; and
2. Complete Worksheet 4 describing its activities within the Distressed Community.

Development & Service Activities

Service Activities

	Priority Factor
-Deposits	1.0
-Financial Services	2.0
-ETAs & IDAs	2.0
-First Accounts 	2.0
-Community Services	1.4

Development Activities

	Priority Factor
-Consumer Loans	1.2
-Single-Family Loans & Project Investments	1.4
-Multi-Family Loans & Project Investments	1.6
-Commercial Real Estate Loan & Project Investments	1.6
-Business Loans, Agriculture Loans & Project Investments [1]	1.9
-Business Loans, Agriculture Loans & Project Investments [2]	1.8
-Business Loans, Agriculture Loans & Project Investments [3]	1.7

Examples of Service Activities

Financial Services

- Installing an ATM machine in a Distressed Community

Community Services

- Providing personal financial management classes to residents of a Distressed Community

ETAs/IDAs

- Offering a basic transaction account for recipients of federal benefits payments

First Accounts

- Offering low-cost electronic bank accounts to Low- or Moderate Income people

Examples of Development Activities

Single Family Loans & Related Project Investments

- Promoting first-time home buying in a Distressed Community

Multi-Family Loans & Related Project Investments

- Financing construction of affordable multi-family housing in a Distressed Community

Commercial Real Estate Loans & Related Project Investments

- Providing a line of credit to rehabilitate a day care facility in a Distressed Community

Reporting Service Activities

Example: IDAs (for a Non-Certified Applicant)
 100 Accounts @ \$100 each= \$10,000

		A	B	C	D	E	F
	DEVELOPMENT AND SERVICE ACTIVITIES	Baseline Period	Assessment Period	Change in Activity	Priority Factor	Weighted Value	Score
	SERVICE ACTIVITIES						
1	Deposits				1.0		
2	Financial Services				2.0		
3	ETAs / IDAs	\$5,000	\$10,000	\$5,000	2.0	\$10,000	
4	First Accounts				2.0		
5	Community Services				1.4		
6	Service Score						\$10,000
7	Adjusted Service Score (if appropriate)						N/A

Reporting Development Activities

Example: Multi-Family Housing Loan (for a Non-Certified Applicant)

		A	B	C	D	E	F
	DEVELOPMENT AND SERVICE ACTIVITIES	Baseline Period	Assessment Period	Change in Activity	Priority Factor	Weighted Value	Score
	DEVELOPMENT ACTIVITIES						
8	Consumer Loans				1.2		
9	Single-Family Loans and Project Investments				1.4		
10	Multi-Family Loans and Project Investments	\$500,000	\$1,000,000	\$500,000	1.6	\$800,000	
11	Commercial Real Estate Loans and Project Investments				1.6		
12	Business Loans, Agricultural Loans, and Project Inv. [1]				1.9		
13	Business Loans, Agricultural Loans, and Project Inv. [2]				1.8		
14	Business Loans, Agricultural Loans, and Project Inv. [3]				1.7		
15	Development Score						\$800,000
16	Total Development and Service Score						\$810,000
17	Estimated Award Amount for Development and Service Activities (Total Score x 0.05)						\$40,500

Changes to Service Activities

- Administrative Costs of Financial Services
- Streamlined reporting on the extent to which Financial Services benefit Low- and Moderate-Income individuals in a Distressed Community
- First Accounts as a new Qualified Activity

Determining the Administrative Costs of Financial Services

The administrative cost of providing Financial Services will be valued at specified **Per Unit Values**:

	Per Unit Value	Award Amount	
		CDFIs	Non-CDFIs
Savings Accounts	\$25.00	\$7.50	\$2.50
Checking Accounts	\$40.00	\$12.00	\$4.00
Check Cashing	\$5.00	\$1.50	\$0.50
ATM Installation	\$25,000.00	\$7,500.00	\$2,500.00
ATM Operation	\$2,500.00	\$750.00	\$250.00
Branch Opening	\$250,000.00	\$75,000.00	\$25,000.00
ETAs	\$50.00	\$15.00	\$5.00
IDAs	\$100.00	\$30.00	\$10.00
First Accounts	\$280.00	\$84.00	\$28.00

Measuring the Number of Financial Services Provided to Low- and Moderate-Income Individuals

An Applicant may measure the number of Financial Services provided to Low- and Moderate-Income individuals by:

→ Collecting income data on its Financial Services customers

OR

→ In the case of ETAs/IDAs and First Accounts only, providing a certification and narrative justification

OR

→ Using data provided by the Fund's online Help Desk on the total percentage of Low- and Moderate-Income individuals living in census tracts where Financial Services were provided (e.g., retail branch offices, ATMs)

Using the Help Desk to Determine the Percentage of Low- and Moderate Income Individuals

- STEP 1:** Multiply the total number of accounts, transactions, or other appropriate unit measure by the administrative cost or the per unit value from the Notice.
- STEP 2:** Multiply this product by the total percentage of Low- and Moderate-Income individuals living in the specific census tracts where the Financial Service was provided (e.g., bank branch, ATM location) obtained from the online Help Desk.
- STEP 3:** Enter the product of this calculation into Column A and Column B of Worksheet 1a or 1b for the Baseline Period and Assessment Period, respectively.

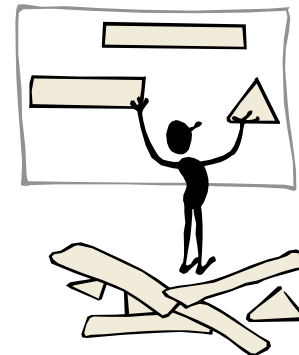
First Accounts...



- ➔ Are individually owned accounts at a Federally-insured financial institution;
- ➔ Permit a minimum of four cash withdrawals and four balance inquiries per month, which are included in the monthly fee, through any combination of ATM transactions and/or over-the-counter transactions;
- ➔ Allow access to the insured depository institution's on-line point-of-sale network (if any);
- ➔ Require no minimum balance except as required by Federal or state law;
- ➔ Provide a monthly statement; and
- ➔ Provide the same consumer protections that are available to other account holders at the financial institution.

Reporting First Accounts

- ✓ Submit documentation of the account's features, including materials used to market the product.
- ✓ First Accounts are valued at \$280.00 per account.
- ✓ Applicants seeking a BEA Program award for providing financial literacy classes or one-on-one technical assistance to First Accounts holders must submit documentation of the costs of providing such services and report such activities as Community Service Activities.

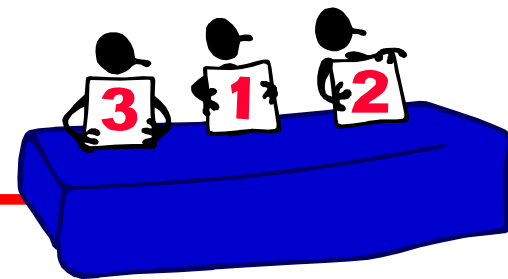


How much BEA money may an Applicant Receive?

	Non-CDFIs Award Percentage	CDFIs Award Percentage
Development and Service Activities	5%	15%
Equity Investments	15%	15%
CDFI Support Activities	11%	33%

NOTE: The Award Percentage is the total portion of the weighted value of increased activity.

If there are insufficient funds available, how will the Fund select Awardees?



Priority 1: Equity Investments in Certified CDFIs ranked based on:

- ✓ Extent of voluntary award percentage reduction (down to a minimum of 12%)
- ✓ Ratio of the total dollar amount of Qualified Activity to the total asset size of the applicant

Priority 2: CDFI Support Activities ranked based on:

- ✓ Ratio of the total dollar amount of Qualified Activity to the total asset size of the applicant

Priority 3: Development and Service Activities ranked based on:

- ✓ Ratio of the total score divided by the total asset size of the applicant
- ✓ Extent of poverty within the Distressed Community

When are BEA Awards made?

Awardees selected to receive grant money **after completion** of projected activities.

The Fund will disburse portions of the award money as it receives proof of disbursement from the Awardee.

NOTE: Treatment of **Lines of Credit**:

- The CDFI Fund will obligate based on the full amount of the line, but will only disburse as the bank disburses up to the maximum amount of the line



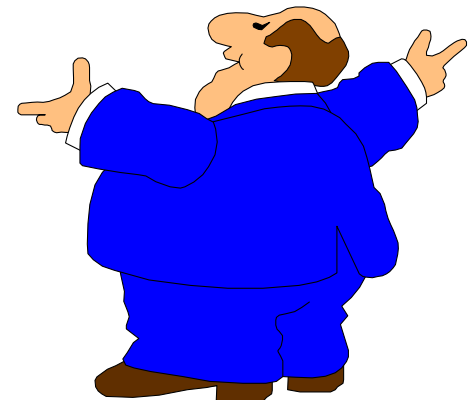
Designating a BEA Distressed Community

A **Distressed Community** is a Geographic Unit or a contiguous group of Geographic Units, which in the aggregate, meet the following criteria:

- ➔ Poverty rate of at least 30% (as determined in the 1990 Census); and
- ➔ Unemployment rate that is at least 1.5 times greater than the national rate (as determined by the Bureau of Labor Statistics most recent 12-month average)



Area may include non-qualifying Geographic Units provided that no one Geographic Unit has a poverty rate of less than 20%.



Who needs to designate a Distressed Community?

Every Applicant **except** those proposing to
make **only** Equity Investments in CDFIs.



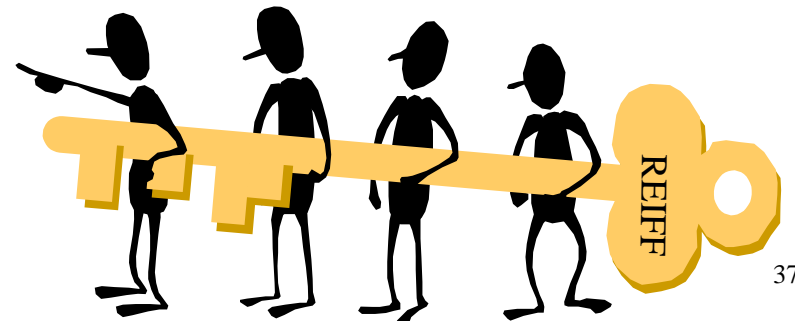
Don't Forget...

A Distressed Community as defined by the BEA Program is not the same as an Investment Area as defined by the CDFI Program.



Application Materials

- ✓ **Applicant Information**
- ✓ **CDFI Identification (Part 1 A)**
- ✓ **Award Rating and Calculation (Worksheet 1a/b)**
- ✓ **Assessment Period Projected Activity Summary (Worksheet 2)**
- ✓ **Distressed Community Designation (Worksheet 3)**
- ✓ **CDFI Support Activities (Worksheet 4)**
- ✓ **Map(s) (from the Help Desk Website)**
- ✓ **Distressed Community Description**
- ✓ **Certification for ETA and First Account Providers**
- ✓ **Certification for Opening Retail Branches**
- ✓ **Environmental Review Form**
- ✓ **Assurance and Certifications**



Application Review Process



1. The Fund will review your application for eligibility, completeness, and to ensure that all activities reported meet program requirements.
2. You will be contacted by a staff reviewer as part of the due diligence process.
 - This staff reviewer is your primary contact at the Fund. You should call your reviewer with any questions.



Last Steps

1. By **August 2, 2001, 6:00 p.m. EDT**, the Fund must have received your Final Report, which must include:
 - Documentation of Qualified Activities completed during the Assessment Period; and
 - A **signed and unaltered** Award Agreement
2. The Fund will review the Final Report to ensure all reported activities meet program requirements and the documentation is sufficient
 - Based on this review, your award amount will be calculated and ranked (if necessary)
3. Fund expects to make award decisions by **September 30, 2001**



KEY DATES

Baseline Period:

January 1, 2000 - June 30, 2000

Initial Application Due:

November 21, 2000, 6 p.m. EST

November 2000						
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Award Decisions by: September 30, 2001

KEY NUMBERS TO REMEMBER

Main Phone Number: (202) 622-8662

Main Fax Numbers: (202) 622-9184
(202) 622-7754

Main Website: www.treas.gov/cdfi

Help Desk Website: www.cdfifundhelp.gov

or www.treas.gov/cdfi



CDFI Fund's On-Line Help Desk

BEA Program

Finding Out If an Area Meets the Distressed Community Requirements

Q: I know the area I want to serve. How do I find out whether it meets the Distressed Community requirements?

A: Go to Option 1. You will need to know your state, county and census tract numbers.

Geo-Coding Activities

Q: I know where my loans or customers are located. How do I find out whether they are in an eligible Distressed Community?

A: Go to option 2. This is the “geo-coding” option. Have the addresses of your loans or customers ready.

The Fishing Expedition Option

Q: I am looking for an area eligible to be an Distressed Community. How do I find it?

A: Go to Option 3. This is the “fishing expedition” option. You don’t need to have any information prior to searching.

Eligibility of Indian Reservations

Q: I serve a reservation-based Native American Community. How do I find out if this community is eligible?

A: Go to the Native American Communities button on the U.S. map, select your reservation by name, and print

Selecting and Designating a Distressed Community

Q: How do I select and designate a Distressed Community?

A: You need to learn the key functions:

- Zoom In
- Zoom Out
- Pan
- Add
- Deselect
- Send to Test
- Submit

Creating a Distressed Community Map and Worksheet for My Application

Q: How do I create a Distressed Community Map and Worksheet for my application?

A: Select the Map and Worksheet options on the report menu and print.

Market Data Reports

Q: How do I better understand my market?

A: After selecting a Distressed Community, select the “Market Data Reports.”

Reports are available on: population, economic and housing characteristics, housing lending, and small business lending.

Market Data Report: Economic, Population & Housing

Who lives in my Distressed Community?

→ Population, race, single family households, education attainment

What are the economic conditions in my Distressed Community?

→ Median family income, distribution of household income, poverty and unemployment

What are the housing conditions in my Distressed Community?

→ Housing units, homeownership, distressed housing, overcrowding and affordability

Market Data Reports:

Home Mortgage Disclosure Data

Applications: How many people are applying for loans in my Distressed Community compared other areas?

Originations: How many people are receiving loans in my Distressed Community compared other areas?

Denials: How many people are receiving loans in my Distressed Community compared to other areas?

Market Data Report: HMDA Originations

How much housing lending is happening in my Distressed Community?

→ Number and dollar amount of lending

What types of loans are being made?

→ Total, conventional or government programs

What types of housing is being financed?

→ Home purchase, improvement, refinancing, multifamily

Who is making loans?

→ Top 10 lenders

Who are they making loans to?

→ Borrower race, income, tract type

Market Data Report: HMDA Applications

How much demand is there for housing loans in my Distressed Community?

→ Number and dollar amount of lending

What types of loans are being requested?

→ Total, conventional or government programs

What types of housing needs are institutions seeking to address?

→ Home purchase, improvement, refinancing, multifamily

Who is receiving loan applications?

→ Top 10 lenders

Who are they receiving applications from?

→ Applicant race, income, tract type

Market Data Report: HMDA Denials

How many loan requests are being denied in my Distressed Community?

→ Number and dollar amount of lending

What types of loans are being denied?

→ Total, conventional or government programs

What types of housing credit is being denied?

→ Home purchase, improvement, refinancing, multifamily

Who is denying loan applications?

→ Top 10 lenders

Who is being denied credit?

→ Applicant race, income, tract type

Market Data Report: Small Business Lending

- How much small business lending is happening in my Distressed Community? How does this compare to other areas?
- What is the dollar amount of loans are being made?
- How much credit is being provided to firms with less \$1 million in revenues?
- What types of census tracts are receiving small business loans?

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